

# Making money – by learning or **instinct?**

Whether it is opening a spaza shop, manufacturing small items or starting a franchise, South Africans are warming to the idea of becoming entrepreneurs. Are these wealth creators creatures of learning or of instinct? asks CLAYTON SWART.

**“...in business you have to know how to manage the risks to your advantage and grasp the opportunity. Entrepreneurs know this instinctively.”**

MAKING MONEY in order to upgrade their lifestyle or simply to survive impels many people to look out for opportunities to start their own business.

Tony Harris, incurable entrepreneur now permanently appointed as senior lecturer in this subject at the USB, says, “An entrepreneur screens the world for opportunities that others don’t see, focuses on them with a clear understanding of the associated risk, and is smart at deploying resources.”

However, Harris says people who want to become entrepreneurs should know themselves. “The key is to match all this ‘stuff’ with yourself as a person. It all depends on what you see and where you are in your own life. What kind of risks are you willing to take?”

South Africa’s expanded definition of unemployment, which is hovering well over 30%, forces many people to eke out a living to survive in the informal sector.

According to *Strategy Insights* of September 2006 published by the Institute for Futures Research (IFR) based at the USB, the unemployment rate has declined gradually over the past three years. It notes that, while informal sector employment has shrunk, a considerable number of workers may effectively still be operating in this sector.

These people often turn to classic entrepreneurial schemes – risking the little money they might have, with further borrowings from family members and friends, to start small ventures like spaza shops – selling anything from matches to mielies next to the road – in the hope of making a modest profit.

While this sort of personal gamble was largely prompted by South Africa’s past which benefited a few, the present realities of so-called equal global trade are impacting harshly on economies like South Africa, as can be seen in

job losses in the manufacturing sector – e.g. the ailing clothing and textile sector suffering under cheap imports from China in particular – over recent years.

Harris says because of the global impact of Asian and Indian trade the meaning of entrepreneurship in Africa has to be redefined.

“How do we use the natural characteristics of South African people within the competitive reality in this globalised world? What is it that we are going to do better or more cheaply than those nations with which we compete? Entrepreneurs need to figure it out!”

He places this responsibility before entrepreneurs because he sees them as the people who spot opportunities and are creative, driven and passionate to succeed.

Harris says the government does have a role to play in creating a better climate for entrepreneurs to seize opportunities by easing restrictive legislation for opening a business and making huge investment in education.

The government’s Accelerated and Shared Growth Initiative for South Africa (AsgiSA) which seeks to halve poverty and unemployment by 2014 is a step in the right direction to assist entrepreneurs. The initiative includes a review of labour legislation for smaller companies, reforms in tax administration and measures to realise the value of dead assets like land, livestock and skills which makes it easier to start a smaller venture.

But would the teaching of entrepreneurship succeed in helping more people identify opportunities and start up a new venture?

“There are those who are inherently risk averse and those who are thoughtlessly reckless, but there is a broad band of people in the middle who can be taught the models of great entrepreneurs. This will hopefully inspire them enough to take up the challenge,” says Harris.

“The secret of those who amaze the world is that they regard nothing to be impossible.

– Henry David Thoreau



FROM THE TOP:  
Anton Roelofse;  
Tony Harris and  
Dr Johan Smith

People come up to me and they say what I'd like to do in life is make a million dollars, I think I'm an entrepreneur. And I ask them if, in fact, what they really want to do is to *spend* a million dollars, which is a different thing, and if they answer yes to that question then I think they're not an entrepreneur. Entrepreneurs are people who are very much involved with the achievement of getting things done and see making money as a measure or way of keeping score.

— Mitchell Kapor, founder, Lotus Development Corporation

The IFR states in *Strategy Insights* of May 2005 that “education is no longer a passport to employment; it must equip young people with the (entrepreneurial) skills, competencies and ethos required to render them ‘attractive’ to potential employers.”

USB MBA alumnus Anton Roelofse, who is the chief operating officer of the coastal investment unit for Business Partners, a company that invests in entrepreneurs with small and medium enterprises (SMEs) through various funding methods, says measuring from the help his company lends to entrepreneurs more and more are seizing the opportunities before them.

For Roelofse this is a sign that the state of entrepreneurship is healthy in South Africa. He says a great opportunity lies in the scarcity of entrepreneurs in the value-adding manufacturing sector.

Roelofse believes the teaching of entrepreneurship can help with empowerment. He furthermore suggests that franchising is a better option for entrants who start out with a handicap owing to the country's divided past. By becoming franchisees they are both empowered and mentored as entrepreneurs.

“A lot more funding is available for these franchise ventures. People can lock into an established network where the risk is up to 80% less.”

Dr Johan Smith, USB senior lecturer in Financial Management, says although the fundamentals of finance teach us the goal is to make money over the long term, opportunities do arise where immediate returns can be realised, like in the IT sector.

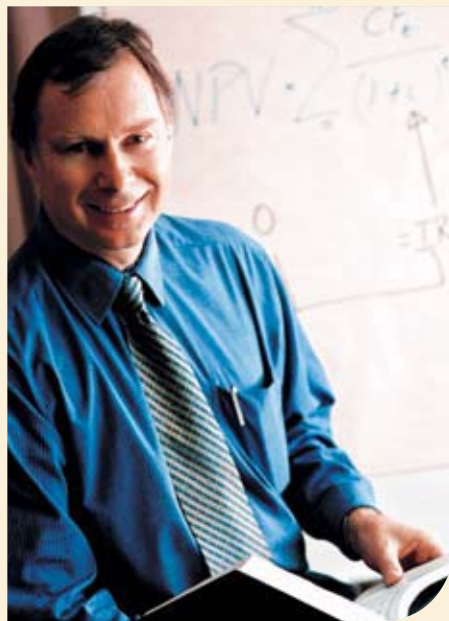
He says in an industry like this where there is rapid change opportunities open up for individuals to make money quickly, as can be seen in the case of Mark Shuttleworth.

“They also have to be skilled in tapping into the knowledge of the people around them.”

Smith says, “In business you have to know how to manage risks to your advantage and grasp the opportunity. Entrepreneurs know this instinctively.” □



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I was seldom able to see an opportunity until it ceased to be one.

— Mark Twain